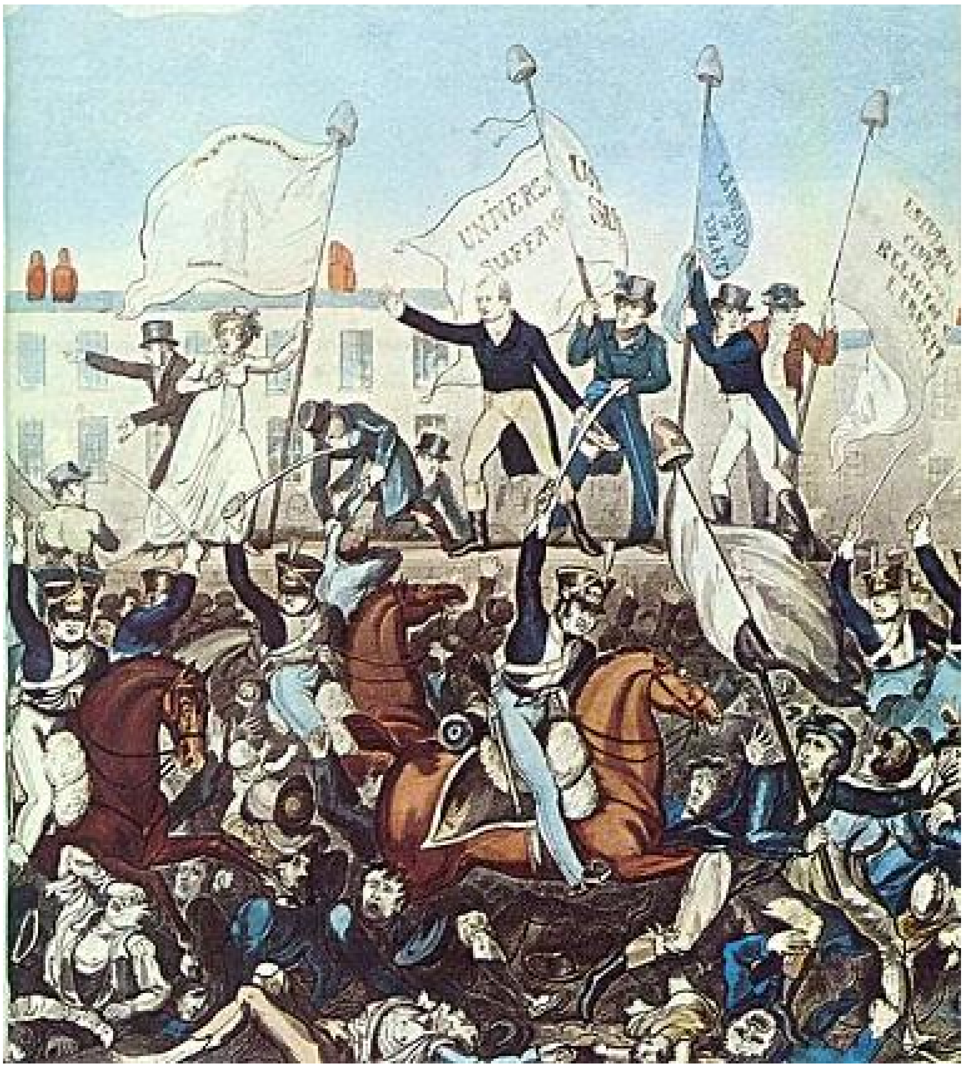

Peterloo Massacre, 1819

The Rate of Surplus Value

Karl Marx's "Capital" is not a hasty book. It proceeds at a measured pace, with a degree of repetition. Some parts appear difficult, only to yield up their secrets at a second reading without a struggle.

The chapter on the Rate of Surplus Value (attached; download linked below) is a good example of all this. At first reading it appears dense. It appears to contain new things unconnected to what has gone before, or to what comes afterwards. Yet nothing

could be further from the truth: In this chapter are re-stated some of the simplest, basic relationships, derived from the earlier chapters, and explicitly anticipating Volume 3 of the great work.

Let us pick out some of the easier passages. Marx begins with a “tautology” – a truism, or statement of the obvious, but one that has to do with “the expansion of capital”, the secret of which is the key to the entire work. Marx writes:

> *“Since the value of the constituent elements of the product is equal to the value of the advanced capital, it is mere tautology to say, that the excess of the value of the product over the value of its constituent elements, is equal to the expansion of the capital advanced or to the surplus-value produced. Nevertheless, we must examine this tautology a little more closely.”*

Soon he puts down an important working definition, “constant capital”. Important because similar formulations, but with different meanings, are used in bourgeois accounting. Marx says:

> *“Throughout this Book therefore, by constant capital advanced for the production of value, we always mean, unless the context is repugnant thereto, the value of the means of production actually consumed in the process, and that value alone.”*

“Constant” is the companion of “variable” capital, which is the capital advanced for labour. Says Marx:

> *"From what has gone before, we know that surplus-value is purely the result of a variation in the value of v, of that portion of the capital which is transformed into labour-power; consequently, v + s = v + v, or v plus an increment of v. But the fact that it is v alone that varies, and the conditions of that variation, are obscured by the circumstance that in consequence of the increase in the variable component of the capital, there is also an increase in the sum total of the advanced capital."*

Returning to constant capital, Marx says that for the sake of particular calculations, it may be taken out of the equation. Marx did not live to see something called Value Added Tax (VAT) but if he had, he would have recognised the same move. In the calculation of VAT, that portion of money advanced that does not increase, is removed out of the calculation. Marx put it thus:

> *"At first sight it appears a strange proceeding, to equate the constant capital to zero. Yet it is what we do every day. If, for example, we wish to calculate the amount of England's profits from the cotton industry, we first of all deduct the sums paid for cotton to the United States, India, Egypt and other countries; in other words, the value of the capital that merely re-appears in the value of the product, is put = 0."*

Then at once Marx reminds us of the importance of the constant and apparently inert part of the capital. This is where he refers to "the third book" (Volume 3), which was not actually published until after he died, and which deals among other things with the

"tendency of the rate of profit to fall", the discovery of which depends upon these simple preliminaries:

> *"Of course the ratio of surplus-value not only to that portion of the capital from which it immediately springs, and whose change of value it represents, but also to the sum total of the capital advanced is economically of very great importance. We shall, therefore, in the third book, treat of this ratio exhaustively. In order to enable one portion of a capital to expand its value by being converted into labour-power, it is necessary that another portion be converted into means of production."*

There are more definitions in this chapter. Here is what Marx means by "necessary" labour-time, and incidentally, the reason why capitalists pay their labourers:

> *"That portion of the working-day, then, during which this reproduction takes place, I call "necessary" labour-time, and the labour expended during that time I call "necessary" labour [5] Necessary, as regards the labourer, because independent of the particular social form of his labour; necessary, as regards capital, and the world of capitalists,* ***because on the continued existence of the labourer depends their existence also****."*

Here we return to the key of the book: Surplus Value, the secret of the self-increase of capital, which Marx says "has all the charms of a creation out of nothing". It's what the capitalist loves and constantly seeks:

"During the second period of the labour-process, that in which his labour is no longer necessary labour, the workman, it is true, labours, expends labour-power; but his labour, being no longer necessary labour, he creates no value for himself. He creates surplus-value which, for the capitalist, has all the charms of a creation out of nothing. This portion of the working-day, I name surplus labour-time, and to the labour expended during that time, I give the name of surplus-labour."

Marx gives a simple procedure:

"The method of calculating the rate of surplus-value is therefore, shortly, as follows. We take the total value of the product and put the constant capital which merely re-appears in it, equal to zero. What remains, is the only value that has, in the process of producing the commodity, been actually created. If the amount of surplus-value be given, we have only to deduct it from this remainder, to find the variable capital. And vice versa, if the latter be given, and we require to find the surplus-value. If both be given, we have only to perform the concluding operation, viz., to calculate s/v, the ratio of the surplus-value to the v variable capital."

The second part of this chapter consists of examples. If time is short, it can safely be skipped. The third part, containing Nassau W. Senior's theory of the "last hour" is easier.

This gentleman Mr Senior also appears in "Theories of Surplus Value", sometimes called "Capital Volume 4", which is Marx's

distilled notes from his exhaustive study of all the preceding writers about political economy, the study that allowed him to arrive at a confident position of scholarly authority.

The arguments that Senior proposes are very far-fetched, yet one would not be surprised to hear such things from employers of today, and we still rely on Marx to refute them.

The last section is a transitional paragraph leading into the next great chapter, which is almost a book by itself: Chapter 10, "The Working Day".

Illustration: The Peterloo Massacre, Manchester, England, 1819. A crowd of 60,000-80,000 gathered for a protest rally against unemployment and poverty. They were then charged by soldiers on horseback (cavalry) and cut down with sabres, killing 15 and injuring up to 700.

- **The above is to introduce the original reading-texts: Capital V1, Chapter 9, The Rate of Surplus Value.**
- **To download any of the CU courses in PDF files please click here**.